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NSC FOR FEARS
USDOC FOR 4332/ITA/MAC/WH/OLAC/JANDERSEN/ADRISCOLL/MWAR D
USDOC FOR 3134/USFCS/OIO/WH/SHUPKA
TREASURY FOR OASIA, DAS LEE AND DDOUGLASS
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USAID/W FOR LAC/AA

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TAGS: PGOV PREL PINR ECON BR
SUBJECT: LULA'S BALANCING ACT: PT LEADER OUTLINES PARTY'S ELECTORAL STRATEGY

REF: BRASILIA 1136

SENSITIVE BUT UNCLASSIFIED - PLEASE PROTECT ACCORDINGLY

SUMMARY

¶1. (SBU) Summary: Sao Paulo State Legislator Renato Simoes outlined the strategy of Lula's Workers Party (Partido dos Trabalhadores - PT) for the October elections. Simoes indicated that the party believes the Sao Paulo state and national campaigns have to be integrated. PT gubernatorial candidate (and Senator) Aloysio Mercadante needs President Lula's coattails to have a chance to defeat former Sao Paulo Mayor Jose Serra, just as Lula needs a strong showing by Mercadante to improve his own electoral performance in Brazil's most populous state. The PT's ideal scenario would have Lula winning in the first round while Mercadante forces the gubernatorial race into a second round. On the national level, the PT will focus on the Lula administration's achievements while remaining vague and general about future programs and plans; in the state campaign, the PT believes that Serra has weaknesses that can be exploited despite his strong position in the polls. The message in both campaigns will be that Lula needs a strong ally in Sao Paulo's state government to ensure a successful second term. Simoes also indicated that the PT's campaign for the federal Chamber of Deputies will focus on the party list rather than individual candidates; he is optimistic that the "disaster" of lost seats predicted by many observers will not occur. He also expressed the view that although the popular and social movements that comprise the left wing of the PT will support Lula's re-election, they remain disappointed with Lula and will be more aggressive and demanding in a second term. END SUMMARY.

¶2. (SBU) Poloff and Political Assistant met July 31 with Renato Simoes, a leader of the PT in the Sao Paulo State Legislative Assembly. Simoes is also a member of the PT's National Directorate and is serving on its Executive Committee as acting National Secretary for Popular Movements, replacing Bruno Maranhao, who was

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suspended after leading the Landless Workers Liberation Movement (MLST) invasion of Congress in June (reftel).

LOOKING FOR A FIRST ROUND VICTORY

¶3. (SBU) Simoes expressed confidence that Lula will win the election in the first round. The votes for Lula from the northeast - especially from the poor - are already solid, he said, so the President can afford to focus his campaign in the south and southeast, where his performance in recent polls is worrisome. In these areas, Simoes acknowledged, Lula is trailing his opponent, Geraldo Alckmin of the Social Democracy Party of Brazil (PSDB). This part of the country comprises more than 35 percent of all voters, as well as the largest proportion of middle class families. Lula needs to retain the votes of the poor while regaining the trust of the middle class. Thus, in both his government programs and his campaign speeches, he is trying to appeal to both groups while alienating neither, a delicate balancing act. His government is distributing benefits both to the poor (e.g., the "Bolsa Familia program and the increase in the minimum wage) and to the medium class (e.g., a tax break for families that hire a maid formally). Likewise, his government program is intentionally vague. Lula is being careful to steer clear of controversy and specific commitments. The PT strategists believe he will be reelected if he can run on his image and his bond with poor voters and avoid making any mistakes during the campaign.

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¶4. (SBU) Simoes thinks Heloisa Helena, presidential candidate of the Socialism and Liberty Party (PSOL) and a former PT member, probably has a ceiling of about 8 percent despite recent polls showing her higher. The PSOL, a new party created largely from PT defectors, has no organization at the national or state level to work for its candidates. Heloisa takes some votes from Lula, but really takes votes from everybody because some voters express support for her as a protest against the system. Simoes thinks she may fall to her natural level of about 5-6 percent; with Democratic Labor Party (PDT) candidate Cristovam Buarque at around 2 percent, Lula should thus be able, with his still sizeable lead over Alckmin, to win in a first round.

¶5. (SBU) Simoes recognizes that a second round would be hard on Lula. The President would have to campaign in a much more hostile political environment. The PT won't have gubernatorial candidates running in the second round in many important battleground states. (This is one reason the PT considers it critical for Mercadante to force Serra into a second round in Sao Paulo.) In addition, merely by making it to the second round, Alckmin will have shifted the momentum and will begin to look more like a winner. Many Brazilian political analysts argue that voters like to vote for winners.

THE IMPORTANCE OF BEING SAO PAULO

¶6. (SBU) In discussing electoral strategy, Simoes stressed the importance of integrating the national campaign with the campaign in Sao Paulo state. The idea of winning the Sao Paulo government is more than just an electoral target. The PT believes the state, with a friendly government, could give support to the Lula administration as it did for President Fernando Henrique Cardoso's (FHC) administration. Simoes remembered that some of FHC's programs were first implemented in Sao Paulo as a test or pilot and then enlarged to encompass the whole country. In addition, many things that happen in Sao Paulo tend to resonate quickly throughout the rest of the country.

¶7. (SBU) Simoes is convinced that Mercadante can force a second round with Serra in the gubernatorial race, despite poll numbers showing Serra with a commanding lead. Former Governor Orestes Quercia, candidate of the centrist Brazilian Democratic Movement Party (PMDB) and third on the polls, who has strong support in the state's interior, has a ceiling of about 12 percent. According to Simoes' electoral arithmetic, Mercadante should get around 25 percent of the votes and has a chance of reaching 30 as the PT's Jose Genoino did in 2002. At the same time, if PDT candidate Carlos Apolinario and PSOL candidate Plinio de Arruda Sampaio, of PSOL each get 2-3 percent, a second round is guaranteed.

¶8. (SBU) In the state campaign, the PT needs to focus on social issues and the disenchantment of some voters after twelve years of PSDB rule. Public security, health, and education are areas where the PSDB Covas-Alckmin governments made insufficient investment, Simoes said. Public security and the issue of the organized criminal gang First Capital Command (PCC) won't necessarily be a winning issue for the PT, however, because the public holds everyone responsible. The PCC attacks in May damaged Alckmin at the time and may continue to hurt him in some quarters, but many also held the federal government accountable. Under Brazil's federal system, municipalities also have a role to play. The Lula administration didn't provide enough federal security assistance to Sao Paulo state over its first three years, in part because state government was in the hands of the opposition. Thus, while the issue is important to the campaign, it's not a winner for any candidate or party.

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¶9. (SBU) Simoes also outlined the PT strategy to fight for more seats in the Congress. Most observers expect that due to the "mensalao" corruption scandal, the PT will elect at most 60 (some say 50) members to the Chamber of Deputies after electing 90 in ¶2002. However, Simoes thinks the PT can repeat its 2002 performance. Its television campaign will focus on the party list as a whole instead of promoting individual candidates, and will attempt to remind voters of the party's historic role in Brazilian politics. Via this "voto de legenda," the party hopes to take advantage of the positive image it continues to enjoy with some segments of the electorate, and to avoid the public identification of certain candidates who became notorious during the scandals. In short, Simoes believes that "the anticipated disaster will not happen."

LULA'S SECOND TERM

¶10. (SBU) The leftist popular and social movements will campaign for Lula, because they are afraid of losing ground under an Alckmin administration. However, Simoes said, these leftist movements have been disappointed with Lula's government and will continue to make their disappointment felt. They are frustrated with Lula's handling of social security reform, labor reform, and his failure to do more on land reform. Assuming a second Lula term, the social movements will be more active, more aggressive, and more confrontational. They will expect Lula, with more political maneuvering room, to do more for his leftist political base.

¶11. (SBU) Nevertheless, Simoes warned against expecting fundamental changes from a second Lula administration. Macroeconomic policy will continue on the same course. But there may be ways that Lula can open up some political space, work more closely with the leftist and the social/popular movements, and increase social participation.

Simoes conceded that the MLST invasion of Congress (reftel) had gotten the PT and the movements some bad publicity, but didn't think it had done long-term damage to the party's electoral prospects. Everyone knows, he said with a shrug, that such demonstrations sometimes turn out well and sometimes end badly.

COMMENT

¶12. (SBU) Simoes' predictions combine optimism with apprehension. He thinks Lula can win in the first round but fears the consequences if he doesn't. He expects the PT at the national level to avoid the worst consequences of the corruption scandals but recognizes the need to improve the party's performance in key states like Sao Paulo. He seems aware that one or two prominent blunders could cost Lula dearly and stressed that the campaign is going to play it safe. He is aware that Lula has ignored the popular and social movements and probably cannot do so indefinitely. Despite Lula's comfortable lead in the polls, all is not well in the land of the PT. END COMMENT.

¶13. (U) This cable was coordinated with Embassy Brasilia.

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